

## SCHEDULE C TO HOG PROCUREMENT AGREEMENT

### VARIABLE INDEX PRICING

Part I. Price. The price payable by Morrell to the Producer for each delivery of Market Hogs by Producer and accepted by Morrell under this Agreement shall be determined by Morrell pursuant to the following formula:

Total Price Per Hundred Live Weight = (Market Price) - (Sort Margin, if any)  $\pm$  (Yield Premium)  $\pm$  (Lean Premium x Multiple Index) + (Price Adjustment)

Under the terms of this Agreement, Morrell reserves the right at any time and from time to time during the term of this Agreement including any extension or renewal thereof, to amend, supplement or otherwise modify its Carcass Merit Program for any reason it deems necessary to reflect changing market conditions or other trends in the meat industry generally.

Part II. Defined Terms used in this Schedule. As used in this Schedule C, the following terms shall have the following meanings:

- (a) The term "Lean Premium" shall mean the premium and/or discounts paid by Morrell to the Producer for carcasses above or below the standard lean percent set by Morrell, as the same may be adjusted from time to time.
- (b) The term "Live Weight" shall mean live weight used to calculate carcass values into dollars/cwt. Live.
- (c) The term "Market Price" shall mean the midsessions Iowa/Minnesota weighted average of forty-nine percent (49%) to fifty-one percent (51%) lean as reported by the USDA Market News Service, or any replacement thereof or successor thereto, during the day of delivery. In the event there is no reporting by the USDA Market News Service for that day of delivery, then the Market Price shall be that established during the most recent USDA Market News Service report prior to the day of delivery. Notwithstanding the foregoing, Morrell reserves the right, during the term of this Agreement, in the event the Iowa Southern Minnesota weighted average is no longer a representative market as agreed on by both parties, to agree on a new price discovery mechanism or index.
- (d) The term "Multiple Index" shall mean the multiple index set by Morrell and agreed to by the Producer as set forth on the attached Variable Index Worksheet.